

**House File 91 - Introduced**

HOUSE FILE 91

BY ANDREWS

**A BILL FOR**

1 An Act relating to the state sales and use tax by expanding  
2 nonprofit exemptions on the state sales and use tax to  
3 include all nonprofit entities exempt from federal taxation.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 321.105A, subsection 2, paragraph c,  
2 subparagraph (1), Code 2023, is amended to read as follows:

3 (1) Entities listed in section 423.3, subsections 17, 18,  
4 19, 20, 21, 22, 26, 27, 28, ~~31~~, and 79, Code 2023, and entities  
5 listed in section 423.3, subsection 31, to the extent that  
6 those entities are exempt from the tax imposed on the sale  
7 of tangible personal property sold at retail in the state to  
8 consumers or users.

9 Sec. 2. Section 321.105A, subsection 3, paragraph f,  
10 subparagraph (1), Code 2023, is amended to read as follows:

11 (1) Vehicles leased to entities listed in section 423.3,  
12 subsections 17, 18, 19, 20, 21, 22, 26, 27, 28, ~~31~~, and 79, Code  
13 2023, and entities listed in section 423.3, subsection 31, to  
14 the extent that those entities are exempt from the tax imposed  
15 on the sale of tangible personal property sold at retail in the  
16 state to consumers or users.

17 Sec. 3. Section 423.3, subsections 17, 18, 19, 20, 21, 22,  
18 23, 24, 25, 26, 26A, 27, 28, 30, 79, 87, 88, 97, and 107, Code  
19 2023, are amended by striking the subsections.

20 Sec. 4. Section 423.3, Code 2023, is amended by adding the  
21 following new subsection:

22 NEW SUBSECTION. 29. The sales price of tangible personal  
23 property or specified digital products sold, or services  
24 furnished, to a nonprofit entity whose income is exempt from  
25 federal taxation under section 501 of the Internal Revenue  
26 Code.

27 Sec. 5. Section 423.3, subsection 47, paragraph d,  
28 subparagraph (1), Code 2023, is amended to read as follows:

29 (1) "*Commercial enterprise*" means businesses and  
30 manufacturers conducted for profit, for-profit and ~~nonprofit~~  
31 insurance companies, and for-profit and ~~nonprofit~~ financial  
32 institutions, but excludes ~~other nonprofits~~ and professions and  
33 occupations.

34 Sec. 6. Section 423.3, subsection 78, paragraph a,  
35 unnumbered paragraph 1, Code 2023, is amended to read as

1 follows:

2 The sales price from the sale of tangible personal property,  
3 specified digital products, or services rendered by any entity  
4 where the profits from the sale of the tangible personal  
5 property, specified digital products, or services rendered, are  
6 used by or donated to a nonprofit entity that is exempt from  
7 federal income taxation pursuant to section ~~501(e)(3)~~ 501 of  
8 the Internal Revenue Code, a government entity, or a nonprofit  
9 private educational institution, and where the entire profits  
10 are expended for any of the following purposes:

11

EXPLANATION

12 The inclusion of this explanation does not constitute agreement with  
13 the explanation's substance by the members of the general assembly.

14 This bill relates to the state sales and use tax by expanding  
15 nonprofit exemptions on the state sales and use tax to include  
16 all nonprofit entities exempt from federal taxation under  
17 section 501 of the Internal Revenue Code (IRC).

18 The bill consolidates existing nonprofit sales and use tax  
19 exemptions by striking such exemptions and moving most of the  
20 exemptions into the newly created nonprofit exemption in Code  
21 section 423.3(29).

22 The bill exempts from the sales and use tax the sale of  
23 tangible personal property or specified digital products sold,  
24 or services furnished, to a nonprofit entity whose income is  
25 exempt from federal taxation under section 501 of the IRC. The  
26 bill expands current law and makes a sale by any such nonprofit  
27 exempt from the sales and use tax if the entire profits from  
28 the sale are used for an educational, religious, or charitable  
29 purpose.

30 The bill does not change the nonprofit exemptions to the fees  
31 assessed for new vehicle registration in Code section 321.105A.

32 By operation of Code section 423.6, an item exempt from the  
33 imposition of the sales tax is also exempt from the use tax  
34 imposed in Code section 423.5.